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CHINESE PROCEDURES FOR FOREIGN TRADE IN 1951

[Comment: This report gives information extracted from a book titled Kuangtung T'u-t'e-ch'an Chieh-shao (An Introduction to the Native Products of Kwangtung Province), edited and published by Hua-nan Ch'eng-hsiang Wu-tzu Chiao-liu Chih-tao Wei-yuan-hui (South China Committee for Guidance of Urban-Rural Trade), probably in Canton in 1951. The report gives information furnished to merchants of the Canton area who wish to engage in foreign trade. It summarizes the qualifications required and the necessary procedures to be followed by the merchant.]

Legitimate merchants who wish to carry on trade with foreign countries must have a certain amount of capital available and a good business record. Within the established time period, they must register with the local Foreign Trade Control Office or branch and undergo investigation. If the investigation is satisfactory, the merchant is qualified to engage in foreign trade.

Those merchants in Canton who are qualified and have received temporary permission to engage in foreign trade have already been announced. At the same time, the necessary credentials were issued. To carry on foreign trade on a planned basis, those merchants who have received their qualification certificates must, when applying for export permits, limit themselves to the type of trade specified in these certificates.

Merchants who are not well established, or who lack sufficient capital to carry on a large business but who wish to sell goods outside the country may acquire the necessary qualifications later. Merchants who are not yet registered, or who have registered but have not been investigated, may carry on foreign trade through the agency of the South China Foreign Trade Service Society or the Bank of China.

The policy regarding qualification and registration is very liberal and the Foreign Trade Control Office is encouraging. Only appropriate restrictions have been set with regard to the nature of goods exported and the amount involved in transactions. Nonessential goods and goods that do not require inspection can be shipped in quantities that do not exceed 5,000 Hong Kong dollars per shipment or 50,000 Hong Kong dollars per month.

The export permit authorizes both the export of the goods and the transfer of exchange. The main items shown in the export request are: tariff number, type of goods, amount of goods, type of packing, number of packages, unit price in foreign currency, total price in foreign currency, port of shipment, bank involved, destination, type of sale, type of remittance, etc. All this information is entered by the requester.

To guard against price fluctuations in the foreign market and to acquire the maximum amount of foreign exchange for the purchase of goods for economic reconstruction, the Foreign Trade Control Office has decided that tea, oils, and other important export commodities will be exported only on prior order. Because of the time lag in completing the sale agreement or in making credit arrangements, a means of registering transactions has been put into effect to protect the merchant. The purpose of registering the transaction is to put the agreed price on record. When the goods are ready for shipment, the merchant must report in writing to the Foreign Trade Control Office the price agreed upon with the purchaser, and the final sale agreement can be signed only after approval by the office.

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At present, there are two methods of carrying on barter trade depending on whether the import or the export phase is carried out first. To export first, the merchant must receive permission which will only be granted in the case of small quantities of nonessential goods. The permit will also specify a time limit within which goods of equal value must be imported. If a merchant fails to complete the import phase within the time limit stated, the case will be dealt with according to the circumstances. The method of importing first and then exporting will be carried out as prescribed in the "Temporary Trade Control Methods" and the appropriate regulations. If the exporter cannot himself import the amount of goods authorized by his permit, the authority to do so may be transferred to another importer through the proper official channels. For the purpose of barter trade, a request for permission to export will be processed in one day in the case of perishable goods or 3 days in the case of nonperishable goods. Of course, this period will be lengthened when the merchant does not follow the necessary procedure carefully.

The most important operation in export trade is drawing up the bill of exchange and converting the foreign exchange. The bill of exchange must be drawn up in the currency of the buyer and the seller sells it to his bank or discounts it at the current rate of exchange. After the bank has credited the seller with the appropriate amount of Chinese currency, a certification to that effect is placed on his export permit and he may then apply for customs inspection of the goods.

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